

DRIVING LASTING CHANGE

SUSTAINABLE FINANCE
FRAMEWORK **2025**



SEVERN

TRENT

WONDERFUL ON TAP

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ABOUT THIS REPORT

At Severn Trent, we believe that how we fund our work should reflect our values. That's why we've created our Sustainable Finance Framework — a way to ensure that the money we raise supports projects that make a real difference to people, communities, and the environment. Whether it's improving water quality, protecting nature, or helping vulnerable customers, this framework guides us in choosing investments that deliver long-term, positive impact. It also helps us stay transparent and accountable, so our customers and stakeholders can see how our financial decisions support a more sustainable future for everyone.

Our strategy recognises the importance of delivering strong operational and financial performance while embedding sustainability at the heart of everything we do. As two of the 11 regulated water and wastewater companies in England and Wales, we provide essential services to more than 4.7 million customers across a diverse region—from the Bristol Channel to the Humber, and from North and Mid-Wales to the East Midlands. Our non-regulated businesses extend our reach across England, Scotland, and Wales.

Our reporting suite



PR24 Business Plan



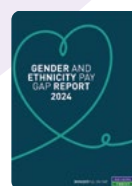
Strategic Direction Statement



Green Recovery Report



Community Fund Annual Report



Gender and Ethnicity Pay Gap Report



Customer Vulnerability Strategy

CLICK on the above reports to view

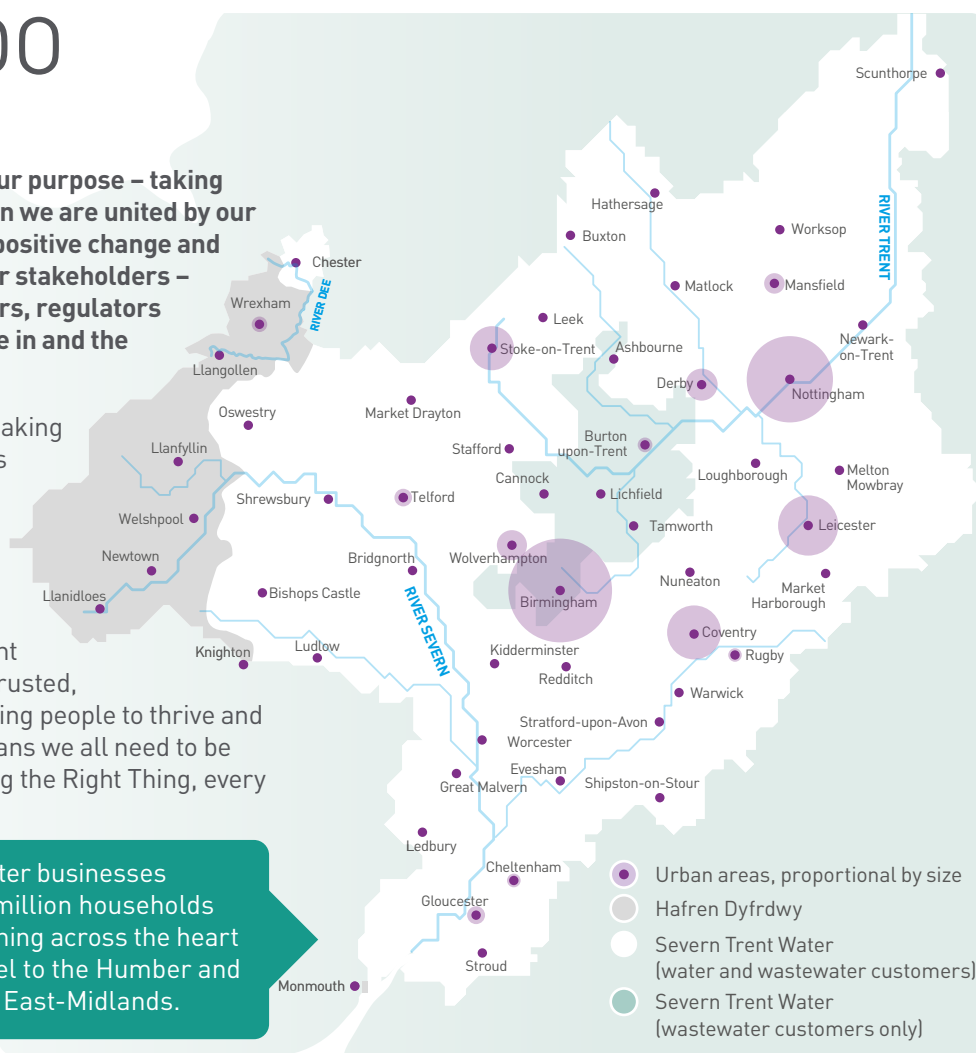
WHAT WE DO

OUR PURPOSE

At Severn Trent, we are driven by our purpose – taking care of one of life’s essentials. When we are united by our clear social purpose, we can drive positive change and deliver positive outcomes for all our stakeholders – our customers, colleagues, investors, regulators and Government, the society we live in and the environment we depend on.

Now, more than ever, we know that taking care of one of life’s essentials means that what we do really matters to the families, businesses and communities we serve. This is why our values of Having Courage, Showing Care, Taking Pride and Embracing Curiosity are so important to us. Being a company that can be trusted, taking care of the environment, helping people to thrive and providing the best-value service means we all need to be focused on living our values, by Doing the Right Thing, every single day – the Severn Trent way.

Our regulated water and wastewater businesses provide essential services to 4.7 million households and businesses in a region stretching across the heart of the UK, from the Bristol Channel to the Humber and from North and Mid-Wales to the East-Midlands.



WHAT WE DO

We provide clean water and wastewater services and develop renewable energy solutions through our businesses. In the course of providing these services, we create social and environmental value.

Green energy

The green energy we generate through our Business Services activities contributes to meeting our net zero targets and keeping our energy costs down.

Recycle water to the environment

We safely return treated water to rivers and watercourses.

Clean wastewater

Wastewater is carefully screened and treated in our wastewater treatment works to meet stringent environmental standards.

Collect wastewater

Our network of sewers and pumping stations collect wastewater from homes and businesses and take it to our wastewater treatment works.

Collect raw water

We collect water from reservoirs, rivers and underground aquifers across our region.

Clean raw water

Our groundwater and surface water treatment works clean raw water to the highest standards, making it safe to drink.

Distribute clean water

Our network of pipes and our enclosed storage reservoirs bring a continuous supply of clean water direct to our customers' taps.

Customers enjoy our services

4.7 million households and businesses use our services, delivered by a team of over 9,800 employees, and supported by our contact centres, always ready to help.



OUR SECTOR

There are 17 regional businesses supplying water services in England and Wales, serving over 60 million household and non-household customers. Of these, 11 also provide wastewater services, including Severn Trent Water and Hafren Dyfrdwy. Our long-term strategic planning embraces the challenges and unpredictability of the future.

By analysing change drivers and their impacts, we can understand potential outcomes and respond effectively to manage risks and seize opportunities. Looking ahead, we recognise a number of change drivers that are particularly relevant for our Group:

CLIMATE CHANGE

In response to climate change, we are innovating and improving to mitigate the impacts of water availability, water quality, abstraction, and more extreme weather events like flooding and drought. By managing our water resources more sustainably, we can enhance the performance, resilience, and flexibility of our network, especially during times of stress. We are committed to lowering greenhouse gas emissions and achieving net zero operational emissions by 2030, and net zero across all scopes by 2050.

ENVIRONMENTAL CHANGES

We recognise the criticality of the natural environment and are dedicated to protecting it for future generations. That is why we are committing to our biggest ever investment in sustainable practices and reversing deterioration of the natural environment. We are working across our supply chain and with key stakeholders to adopt more environmentally-friendly practices to reduce our impact on the environment – especially our rivers and waterways – and to minimise waste and embrace circular economy principles.

DEMOGRAPHIC AND SOCIAL STRUCTURE

A growing and more aged population, more people living alone, and urbanisation are increasing pressure on both housing and water. To ensure our water resilience, we are investing in new water supplies, adding more storage and treatment capacity, reducing leakage and promoting water consciousness among our customers.

AFFORDABILITY CHALLENGES

We recognise and understand that our customers are feeling the effect of economic uncertainty and cost of living pressures. Our sector-leading affordability support will help c.700,000 customers who need help paying their bill each year by 2030. This is the equivalent of one in six customers. We are also working with our communities to make a positive social difference through our Societal Strategy.

MATURING TECHNOLOGIES

Our commitment to innovation means we are constantly on the lookout for cutting-edge technologies that can positively impact our customers. Technological advances continue to present exciting new opportunities to deploy smart devices, automation, machine learning and artificial intelligence to improve the delivery of our services for customers and how we monitor and operate our assets efficiently and safely. We are excited to invest in new technologies and will continue to explore their application within our business.

SECTOR REFORM

The Independent Water Commission Report, published in July 2025, marks a transformative moment for the UK water sector, with significant implications for Severn Trent over the next five years. The report, led by Sir Jon Cunliffe and the Independent Water Commission, outlines 88 recommendations aimed at overhauling regulation, governance, and investment in water infrastructure. One of the most immediate impacts is the planned replacement of Ofwat with a new integrated regulator, which will consolidate responsibilities from the Drinking Water Inspectorate, Environment Agency, and Natural England.

Working with our regulators and stakeholders

We are subject to regulation of our price and performance by economic, quality and environmental regulators, as outlined.

Regulation and representation



The Consumer Council for Water ('CCW') speaks on behalf of water consumers in England and Wales.



The Drinking Water Inspectorate ('DWI') independently checks that water supplies in England and Wales are safe and that drinking water quality is acceptable to consumers.



The Environment Agency ('EA') regulates and allows us to collect water from reservoirs, rivers, and aquifers and return it to the environment after it has been used by our customers and treated by us.



Natural England advises the Government on the natural environment in England and helps to protect nature and the landscape, especially for plant and animal life in both fresh water and the sea.



Natural Resources Wales ('NRW') is the environmental regulator in Wales. It oversees how the country's natural resources are maintained, improved and used, both now and in the future.



Ofwat is the economic regulator for the water and wastewater industry in England and Wales. Ofwat principally exercises its duty to protect the interests of customers through periodic reviews of charges (price reviews) every five years.

We also work with a range of other regulators, including:

- Health and Safety Executive to ensure that the health and safety of our employees, customers, visitors and supply chain is preserved;
- Ofgem, the economic regulator of gas and electricity markets, whose remit extends to renewable energy generation; and

Policy

The Department for Environment, Food & Rural Affairs ('Defra') in England, and the Welsh Government, provide strategic and policy direction for the industry and our regulators.



Department
for Environment
Food & Rural Affairs



Llywodraeth Cymru
Welsh Government

OUR 2025-30 BUSINESS PLAN

AN OUTSTANDING BUSINESS PLAN

Every five years, water companies in England and Wales develop business plans setting out how they intend to deliver for customers and the environment over the next Asset Management Period ('AMP'). Our full plans and Ofwat's Final Determinations are available on our websites. Scan the QR codes below to download our Business Plans.

We are delighted that our Severn Trent Water Business Plan for 2025-30 was awarded 'outstanding' status by Ofwat – in recognition of both its quality and the scale of our ambition.

Our AMP8 Final Determination totex allowance of £14.9 billion is around twice as much as was approved for AMP7, £6.4 billion of which is dedicated to service and environmental enhancements. We expect to generate real Regulatory Capital Value ('RCV') growth of 40% across the AMP (excluding transition expenditure) which would take our AMP8 closing RCV to around £17.2 billion (in 2022/23 prices).

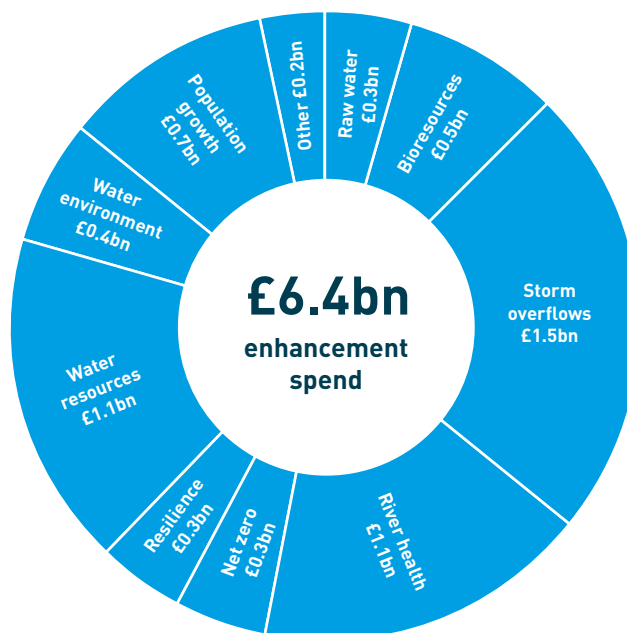
CLICK [here to view our Severn Trent Water 2025-2030 Business Plan](#)

CLICK [here to view our Hafren Dyfrdwy 2025-2030 Business Plan](#)

OUR BIGGEST EVER ENHANCEMENT INVESTMENT

Building on our strong operational and environmental track record, in AMP8 our largest ever enhancement programme will allow us to make significant progress in areas our customers care about most, including:

- Delivering the industry's fastest and most ambitious spills reduction programme, as we aim to halve spills by 2030 and strive towards global best practice;
- Accelerating the improvement of river health, so we account for just 2% of Reasons for Not Achieving Good Status ('RNAGS') in our region by 2030;



- Delivering a further 14.8% reduction in leakage and replacing around 1,400 km of water mains;
- Strengthening water resilience to ensure we can meet customer demand during hot weather;
- Scale investment into water treatment and biosolids to address per and polyfluoroalkyl substances ('PFAS');
- Supporting growth in our region through investment in 70 waste treatment works; and
- Achieving operational net zero by 2030.

Affordability and support

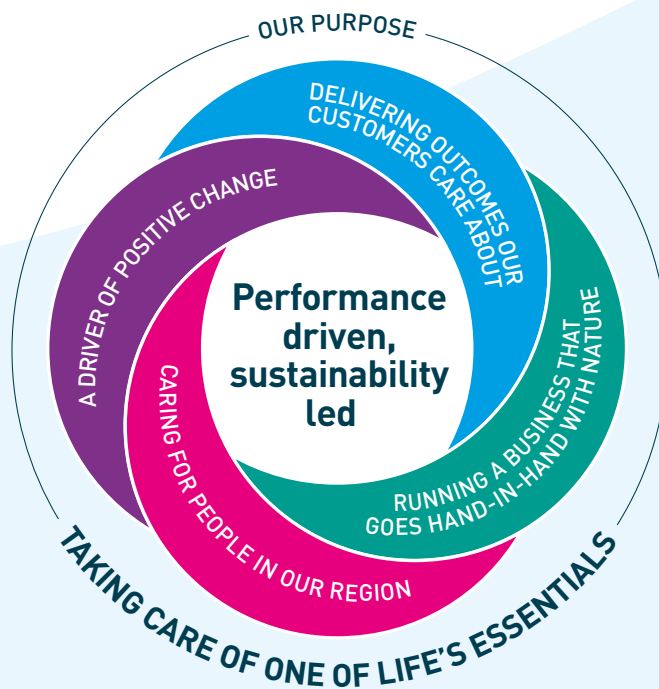
We remain committed to keeping bills affordable, while delivering record investment. We will begin and end AMP8 with the second lowest bill in England and our £575 million affordability package will support one in six customers with their bill by 2030. Additionally, we will support 100,000 people through our 10-year Societal Strategy and our Community Fund will continue into the next AMP.

Our Business Plan has high levels of customer support, with an 81% acceptability rating according to CCW research on Ofwat's Draft Determinations, the highest in the sector.

INTRODUCTION TO OUR STRATEGY

Our strategy to be 'performance driven, sustainability led' acknowledges our relentless drive to deliver the performance that our stakeholders expect, in a sustainable way.

We serve a diverse range of customers with different cultures, interests and experiences. Our region includes some of the most affluent areas of the country as well as some of the most deprived. There are several large urban areas in our region, yet we also serve predominantly rural counties and communities. It is a region which is characterised by, and benefits from, its diversity.



OUR CORPORATE STRATEGY

OUTCOMES

- Investing for the long term
- Resilient to a changing future
- Putting the customer first
- Right first time every time

NATURE

- Actively improving the places we touch
- Creating opportunities to enjoy nature
- Valuing our most precious natural resources
- Managing our impact on nature and climate change

PEOPLE

- Helping our own people thrive
- Supporting our suppliers
- Creating opportunities in our communities
- A force for good for our customers

CHANGE

- A role model for others
- Collaborating widely to support innovation
- Creating a market that works for everyone

UNDERPINNED BY OUR VALUES

HAVING
COURAGE

Having Courage

We always do the right thing and have courage to challenge the norm and speak up if things aren't quite right. We are prepared to step out of our comfort zones and act with both today and the future in mind.

SHOWING
CARE

Showing Care

We keep our promises to customers and show care by treating everyone fairly and equally. We try to enhance the environment around us and spend every pound wisely.

TAKING
PRIDE

Taking Pride

We make a difference for our customers every day, owning problems and working with others until they are solved. We take pride in what we do and champion our work in the communities we work and live in.

EMBRACING
CURIOSITY

Embracing Curiosity

We search out safe, better and faster ways of doing things through innovation and are always curious and willing to learn.

OUR MOST MATERIAL SUSTAINABILITY PRIORITIES

Severn Trent's most material sustainability priorities reflect our strong commitment to environmental stewardship, social responsibility, and long-term resilience. Central to our strategy are four key objectives: delivering outcomes our customers care about, running a business that goes hand-in-hand with nature, caring for people in our region, and being a driver of positive change. These priorities are not only integral to our purpose of *"taking care of one of life's essentials,"* but also represent areas where we are delivering measurable impact.

Double materiality assessment: Although we are not currently subject to the Corporate Sustainability Reporting Directive (CSRD), we have adopted its principles to complete a double materiality assessment. This ensures our sustainability priorities reflect both financial risks and broader impacts on people and the planet. Guided by our corporate strategy, we identified 12 material topics that span environmental leadership, operational excellence, and social value. These priorities – such as river health, net zero operations, and customer affordability – are shaped by stakeholder input and our Enterprise Risk Management system, helping us focus investment where it matters most. A comparison to the European Sustainability Reporting Standards ('ESRSs') set out in CSRD and the UN Sustainability Development Goals ('SDGs') is also included below.

We used our previous assessment from 2021/22 and updated it, reviewing over 100 sustainability topics for consideration.

Assessing impact materiality: Our impact assessment involved considering the views and preferences of our stakeholders, including customers, investors, suppliers and employees and using existing internal knowledge. Each stakeholder group was represented by an internal subject matter expert who was asked to rank topics on scale, scope and opportunity. This information was then consolidated and weighed to create a final ranking.

Assessing financial materiality: Financial materiality is already incorporated within our ERM system and we have used our existing financial materiality threshold of £10 million to identify sustainability related topics for review.

Double materiality assessment: The final list of 12 material topics was determined through a process of robust challenge and evaluation from subject matter experts and senior leaders across the business, with oversight by the Corporate Sustainability Committee. Our existing reporting approach already aligns in many areas, and we will continue to challenge ourselves to ensure we report on the topics of material value to our key stakeholders.

MATERIAL TOPIC	Material (impact)	Material (financial)	ESRSs	SDGs	
Delivering Outcomes our Customers Care About					
Ensure a sustainable water supply and effective demand management resilient to climate change and population growth.	✓	✓	E3, E5, S3	Responsible consumption and production	Read more on page 8
Improve and maintain asset health and resilience through investment.	✓	✓	E3	Industry, innovation and infrastructure	
Ensure access to quality water for all customers, at all times.	✓	✓	E3, E5, S3	Clean water and sanitation	
Have plans in place to manage and respond to extreme weather events, including floods and droughts.	✓	✓	E3, E5, S3	Life on land	
Provide support to vulnerable customers and community members.	✓		S3, S4	No poverty	
Running a Business that Goes Hand-in-Hand with Nature					
Play our part to mitigate climate change through GHG emissions reductions.	✓	✓	E1	Climate action	Read more on pages 9-12
Have a net-positive impact on the environment.	✓		E4	Life on land	
Caring for People in our Region					
Ensure employees have a fair, inclusive and safe workplace.	✓	✓	S1, S2	Decent work and economic growth	Read more on page 13
Develop a skilled future workforce through training and attraction.	✓		S1	Decent work and economic growth	
A Driver of Positive Change					
Play an active role to enhance river water quality.	✓	✓	E2, E3	Life on land	Read more on pages 14-17
Operate as an ethical business, while meeting legal and regulatory compliance.	✓	✓	G1, S1, S2, S4	N/A	
Ensure the highest levels of corporate governance over sustainability-related matters.	✓	✓	G1	N/A	

The following pages provide a detailed overview of Severn Trent's key sustainability priorities, as identified through our double materiality assessment. Each priority is mapped against the pillars of our corporate strategy, demonstrating how we are addressing the issues that matter most to our stakeholders and delivering meaningful impact across our operations, communities, and the environment.



DELIVERING OUTCOMES OUR CUSTOMERS CARE ABOUT

Our services are an essential part of our customers' lives. We take this responsibility seriously and strive to keep water flowing and continuously take wastewater away, whilst working with customers to manage demand.

Inspiring Customers to Use Water Wisely

The company's Education Team, established in AMP6, plays a key role in promoting sustainable water habits by engaging children early to instil lifelong behaviours. Through this programme, customers are encouraged to pledge to use water wisely, avoid single-use plastics, and use wastewater services responsibly - actions that help reduce demand, prevent blockages, and support environmental goals.

Over AMP7, more than 500,000 pledges have been collected, consistently exceeding targets. Looking ahead to AMP8, we will expand our educational outreach and pledge programme to inspire further behavioural change and support long-term water efficiency

Help to pay when you need it

We recognise the importance of supporting customers experiencing financial vulnerability and never want anyone to fear their bill. Our average household bill for water and waste services was around £457 (£1.25 per day) at the beginning of AMP 8 and is the second lowest in England and Wales. Supporting customers who struggle to pay, or are at risk of struggling to pay, is fundamental to building customer trust.

We offer a range of schemes, including social tariffs, debt write-offs, payment breaks, home water efficiency checks, fixing private water and wastewater issues (relating to assets which are normally the customer's responsibility), grants, payment plan concessions, and water health checks. Our £575 million AMP8 affordability package will see us help one in six customers with their bills by 2030 through a variety of schemes, delivering payment support to those who need it most.

Priority Services Register ('PSR')

Our PSR commitment aims to increase the number of customers in vulnerable circumstances who receive services tailored to their needs, such as alternative communications and literature, support with access and mobility restrictions, help during incidents, and enhanced security during home visits. We strive to reach as many customers as possible who might need additional support, and we have over 415,000 households on our PSR. We continually review the households on our

No dig technology

Maintaining and upgrading underground infrastructure can pose significant challenges. Traditional methods involve disruptive excavation processes that can impact customers, communities, businesses, and the environment. No dig technology presents an innovative, non-disruptive and cost-effective solution, eliminating the need for excavation. This technology is being deployed to support our leakage reduction target of 50% by 2045.

A unique solution comprising water, food-grade gellant, and engineered calcium carbonate particles is injected into a pipe in the boundary box and forced under pressure directly into the leak, sealing it quickly and effectively.

This new technology enables us to quickly reinstate mains with minimal interruption to water supply, ensuring a more continuous and reliable service for customers. Repairs that would normally take two to three days now only take 20-30 minutes on average, and with around 200 leaks successfully repaired during our trial, we are now exploring how to roll out this technology across the business.

200

leaks successfully repaired during our trial

register to remove those who no longer need assistance, ensuring we focus on customers who need us most. This offers customers a better, more personalised service catered to their individual needs.

Water supply interruptions

Significant investment in the water network and the introduction of a dedicated Network Response Team have driven sustained improvements in supply interruptions. By focusing on medium-sized and outlier events, and applying learnings from past extreme weather, the company has enhanced resilience and reduced customer impact throughout AMP7. These improvements have also contributed to better leakage performance and overall network reliability.

Leakage

The company exceeded its AMP7 leakage target, achieving a 16.8% reduction from the 2019/20 baseline, setting a strong foundation for future goals—over 30% reduction by 2030 and 50% by 2045. This progress reflects long-term operational resilience and the integration of lessons from past extreme weather events.

Leak detection and repair efforts have intensified, with 60,000 repairs completed and significant leaks now resolved within an average of three days, including full site reinstatement in the final year of AMP7. This marks a 60% improvement across AMP7 and consistent target achievement. Ongoing investment in network renewal and pressure management continues to stabilise the system and prevent leaks caused by high pressure, supporting sustained performance as the company moves into AMP8.

Tap water forensics

As part of an Ofwat innovation funded research project, we are combining genomic sequencing with AI technology to analyse water quality at our water treatment works. These insights are helping us enhance our treatment processes.

RUNNING A BUSINESS THAT GOES HAND-IN-HAND WITH NATURE

The natural environment is at the heart of our operations and everyone in our business is focused on protecting and enhancing nature, habitats and rivers across our region. We know that looking after nature helps to look after water. As part of our commitment to the environment, we created our Great Big Nature Boost ('GBNB'), an industry-leading initiative to enhance biodiversity and make improvements to nature across our region. In 2020, we set ambitious targets including boosting biodiversity across 5,000 ha in our region by 2027. We were delighted to reach this target four years early, in 2023, and we set ourselves a new ambitious target of improving 10,000 ha by 2025 – still two years earlier than our original target. We are thrilled that we surpassed this goal in 2024 and have now delivered improvements to over 16,200 ha – more than three times our original target. Our work to enhance and preserve our natural environment accounts for more than 3% of the nation's 2042 Nature Recovery Network target.

Our Approach to Climate Change and Nature Set out on the following pages is our seventh disclosure under the requirements of the Taskforce on Climate-related Financial Disclosures ('TCFD'), and voluntarily incorporates detail using the recommendations of the Taskforce on Nature-related Financial Disclosures ('TNFD'). Combined, these disclosures provide transparent information on climate and nature risks and opportunities relevant to our Group, demonstrating how interlinked our governance, risk management processes and metrics are. As a business that relies on the natural environment to deliver our services, it is vital that we consider the impacts of a changing climate to invest strategically in our own resilience. We are dedicated to proactive climate action to reduce our impact and we foster a sustainability-led culture to protect the environment in all that we do.

CLIMATE CHANGE ADAPTATION

Climate change is no longer a distant threat—it is already reshaping our region, with hotter, drier summers and wetter winters becoming the norm.

Extreme weather events are growing in intensity and frequency, and these trends are expected to continue. As a water company, we are particularly exposed to climate impacts, making adaptation and resilience critical to our operations.

Mitigation and adaptation

Our approach to climate change is twofold: reducing greenhouse gas emissions and adapting to its effects. We are making strong progress toward Net Zero, while also investing in climate adaptation to ensure our infrastructure and services remain reliable. Adaptation not only reduces risk but also drives innovation and delivers wider social, environmental, and economic benefits.

Complex challenges and strategic planning

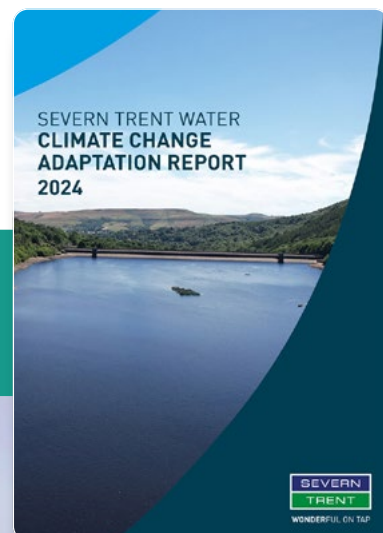
Water is the primary medium through which climate change is felt, and our complex value chain interacts deeply with the environment and other sectors. We've long assessed climate risks and are committed to maintaining clean, reliable water supplies and protecting against flooding and water quality degradation. Effective risk management requires collaboration across sectors.

Commitment and investment

This is our fourth Climate Adaptation Report, submitted under DEFRA's Adaptation Reporting Power. It builds on previous reports and outlines actions through 2030, aligned with longer-term plans to 2050 and beyond. Over the next five years, we will invest £15bn to enhance water supply, reduce leakage, improve environmental outcomes, and strengthen flood resilience. Despite uncertainties in climate projections and investment timing, coordinated action is vital to ensure continued service delivery for future generation.

Read more

CLICK here, to read more in our Climate Change Adaptation Report





OUR NET ZERO TRANSITION PLAN

Our commitment to mitigating and adapting to climate change remains a critical priority. Every day, we provide clean water and treat wastewater for 4.7 million households and businesses, and, as a provider of water services, we are heavily reliant on nature and the environment around us.

As ever, improving performance delivery for our customers is our priority and managing potential impacts to our customers is at the forefront of our plans, particularly ensuring that bills remain affordable. We will seek to minimise emissions whilst delivering improvements in water quality, pollutions and improved resilience.

We have been bold in finding and funding innovative solutions to reduce our operational emissions. Our largest sources of Scope 1 emissions are process emissions from wastewater treatment, which are unique to our sector. Therefore, we have secured significant funding of £295 million to scale up a suite of technologies over 2025-2030, and focus heavily on reducing process emissions.

In this NZTP, which was passed for an advisory shareholder vote at our AGM in July 2025, we show how we will reduce our operational emissions. To improve our understanding of our net zero trajectory, we have begun to identify our dependencies and challenges.

Our Net Zero Hub is installing technology to capture and reduce our process emissions, and we are sharing our learnings with the water sector. Being open about challenges and the efficacy of new technology is essential to helping others accelerate the reduction of process emissions.

AMP8 will be the largest investment period in our history, which will see us invest £14.9 billion to improve the services we provide to our customers and the environment. As a result, our Scope 3 emissions will rise as we deliver these investments. It will require different ways of working with our supply chain to drive these emissions down.

Over the next two years, we will develop more detailed Scope 3 plans and new targets as we deliver against our current engagement SBT in 2026, and will present these as part of an updated NZTP.

Evolving our ambition

We continue to evolve our plans and ambitions, guided by the Transition Plan Taskforce, which sets out guidelines for robust transition plans.

We are setting a new ambition to meet net zero across Scopes 1, 2 and 3 by 2050, supported by a new intensity target to reduce our methane emissions by 30% by 2033.

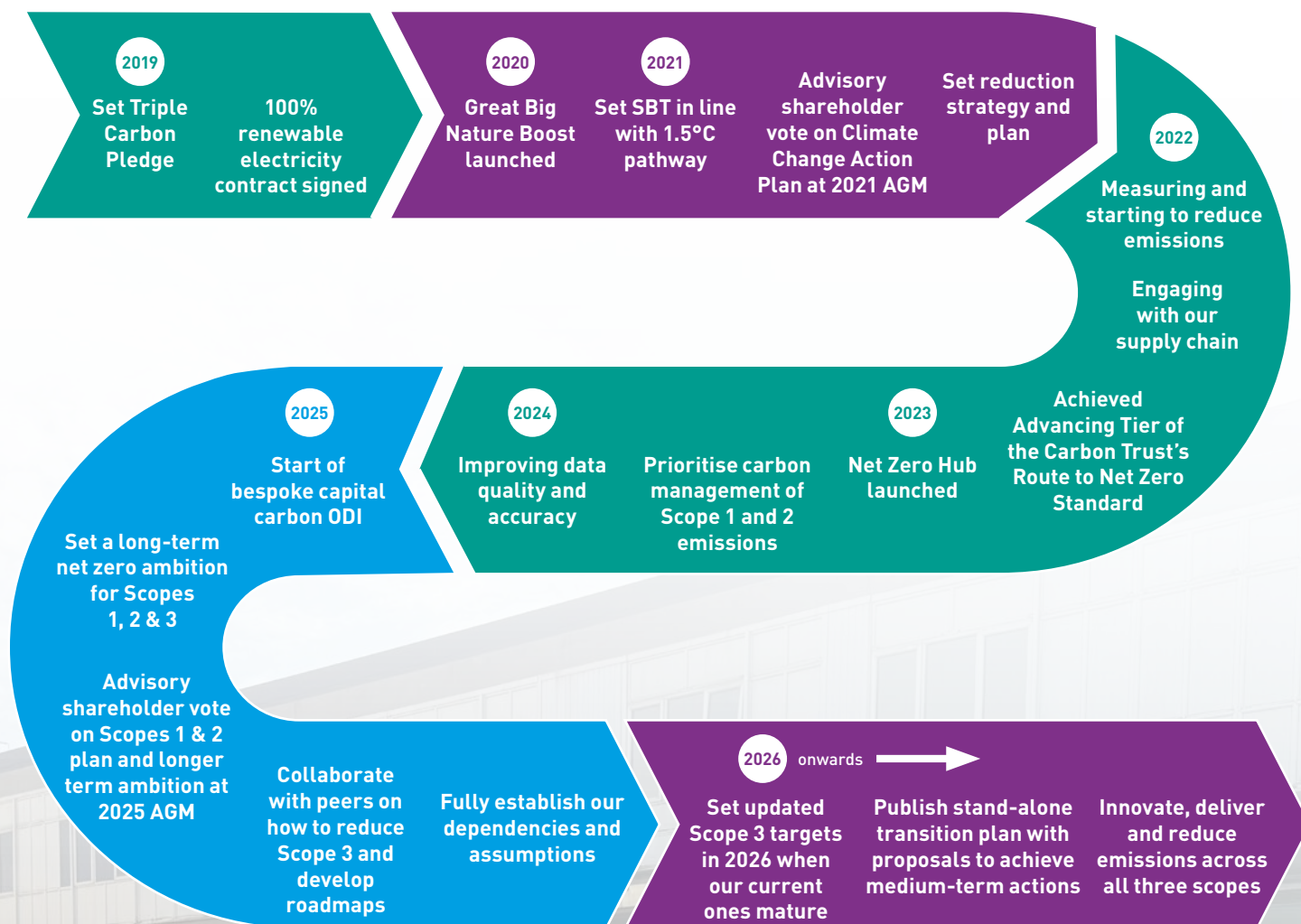
This is an important evolution in our net zero journey, which is aligned to a 1.5°C Paris-aligned pathway, as shown below. This builds on our existing targets to be operational net zero by 2030 and our SBT, approved in 2021.

We will achieve these targets whilst continuing to support a thriving environment and provide the high-quality service our customers expect, at a price they can afford.

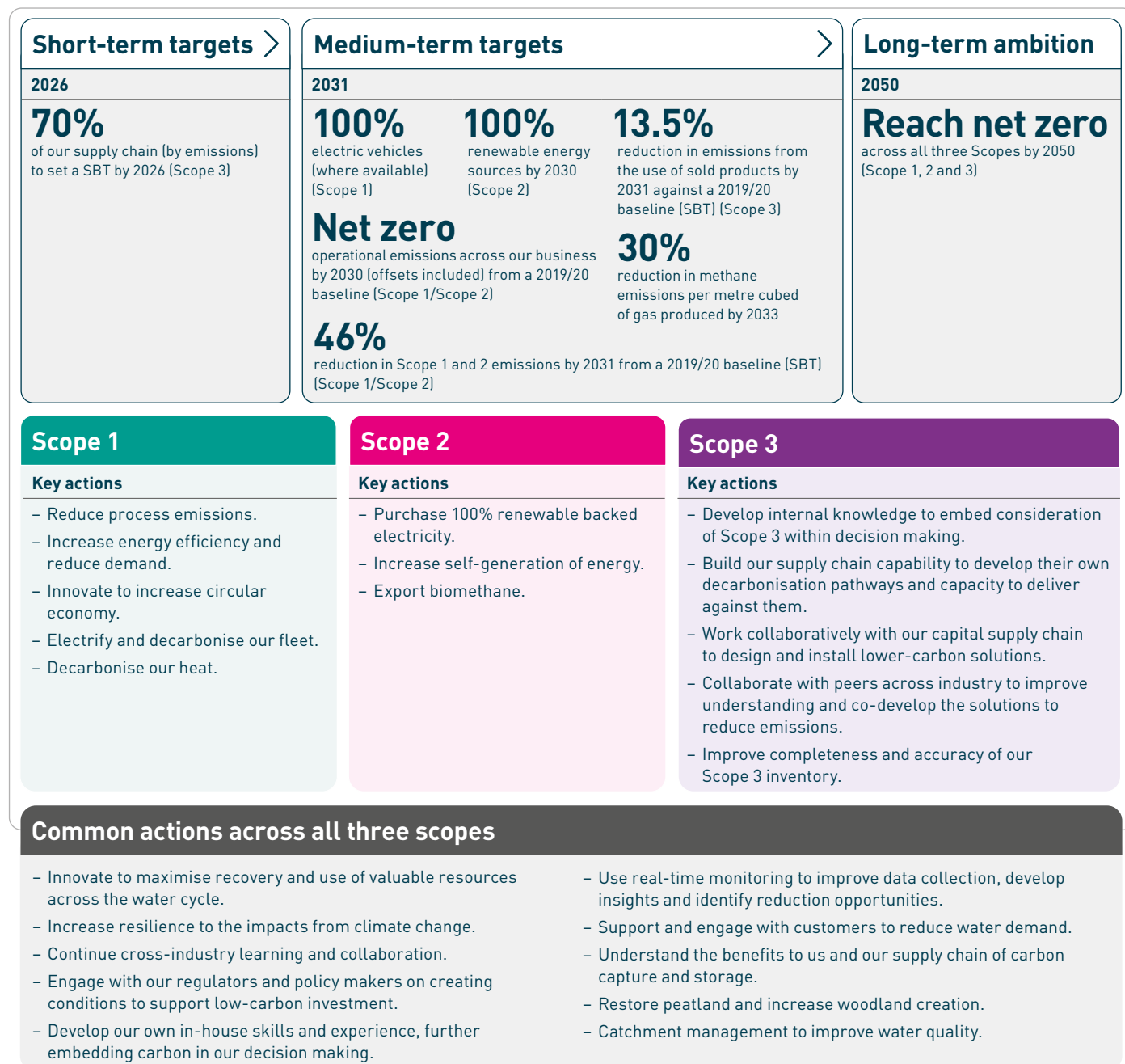
WHAT DO WE MEAN BY OPERATIONAL NET ZERO?

To become operational net zero, and limit our impact on climate change, we need to reduce the emissions we produce as far as possible and then remove any residual emissions from the atmosphere. This means we are targeting a reduction in our direct emissions and some indirect outsourced emissions to zero by 2030. This may include the use of self-generated 'offsets' through renewable energy sales, 'insets' through supporting our supply chain to reduce emissions, and only purchasing high quality external offsets if required.

OUR NET ZERO ROADMAP



RUNNING A BUSINESS THAT GOES HAND-IN-HAND WITH NATURE

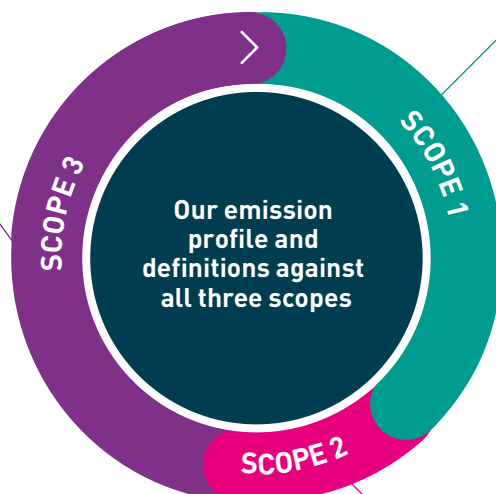


56%

Major sources:

- Capital carbon
- Chemicals
- Purchased goods and services

Emissions that are created by a company's value chain through the products and services it purchases from others



31%

- Combustion of fossil fuels
- Process and fugitive emissions
- Transport

Direct emissions that are owned or controlled by a company and its operations

13%

100% of our import supply is renewable-backed electricity, reducing our market-based Scope 2 emissions to zero, effective from 2020

Emissions that a company indirectly causes, which come from the energy it purchases from others

CARING FOR PEOPLE IN OUR REGION

Our people work tirelessly every day in their commitment to taking care of one of life's essentials.

Building our future skills

The company is committed to building future capabilities by investing in new talent and taking a personalised, in-house approach to recruitment. This method, used even for senior roles, ensures a deeper understanding of candidates and better alignment with company culture, resulting in stronger job and career matches.

A broad range of new talent programmes now spans support functions, operations, and engineering, with continued investment in critical areas such as cyber security, environmental management, and process engineering. New programmes in strategy, regulation, and environmental leadership are helping to develop future leaders and enhance diversity—particularly gender diversity, with 57% female participation in the Operational and Environmental Leadership Programme.

Work experience is a key part of the future skills strategy. In 2024/25, the company hosted 90 paid placements and internships, alongside over 95 unpaid student opportunities. It also runs an annual internship programme with Derwen and Hereward Colleges to support students with special educational needs and disabilities (SEND), providing valuable first-hand experience.

Alongside external recruitment, internal promotion and succession planning remain central to building leadership resilience and ensuring the organisation is equipped to meet future challenges.

Providing a diverse and inclusive place to work

We celebrate diversity and inclusion and embrace individuals' contributions, no matter what their age, gender, race, ethnicity, disability status, sexual orientation, social background, religion or beliefs.

By employing, valuing and investing in a range of local talent with different backgrounds, experiences and perspectives, we can build a skilled workforce that can really understand and empathise with all our customers and communities, and deliver our services in the way they want them.

We are proud of our track record on gender diversity, and we were delighted that Severn Trent achieved second place for representation of women on the Board in the FTSE Women Leaders Review 2025.



DELIVERING SOCIAL IMPACT

Our Societal Strategy, launched in 2022 to reach 100,000 people in, or at risk of, water poverty by 2030, aims to improve life chances through access to high-quality employment-related training and career opportunities.

Maintaining our focus in areas of high deprivation in our region, we have expanded our schools programme with employability training, mock-interviews, career assemblies, unpaid work experience and discovery days. Our corporate volunteer offer continued to grow with the introduction of NeighbourGOOD this year, where local organisations can apply for Severn Trent volunteer time and a small grant. This year, we have also launched our Learning, Employability and Preparation initiative to create pathways into roles at Severn Trent for people who may have barriers to work.

Creating opportunities in our area

Social Mobility Index

We have officially been named as one of the country's top performing companies for improving social mobility. For the seventh year running, we have been placed in the top 10 on the Social Mobility Index, coming in at 2nd place out of 140 companies.

The Social Mobility Index, which is in its eighth year, ranks UK employers for their commitment to making sure those from all social backgrounds have access to the same opportunities.

Community Fund

In our 2020-25 Business Plan, we pledged to create a new Severn Trent Community Fund that donates 1% of Severn Trent Water's annual profits after tax (more than £10 million over five years) to good causes in our region.

In 2024/25, the Community Fund awarded over £2 million to over 113 organisations. Since the Community Fund's inception, we have awarded over £11 million to 896 organisations across our region.

CLICK [here to view our Community Fund Annual Review](#)

Social value

We launched our Societal Strategy in November 2022 to support 100,000 people over 10 years who are at risk of water poverty. Our focus has been on skills development, training, and employment across areas of high deprivation within our region. We have proudly supported more than 26,000 people, generating nearly £7 million of Social Value since 2022. This is supported by our employee volunteering programme, which gives all employees two paid days per year to participate in voluntary work in our communities.

A DRIVER FOR POSITIVE CHANGE

Get River Positive

In 2022, we launched our **Get River Positive** campaign alongside Anglian Water and Hafren Dyfrdwy as part of our commitment to reduce our environmental impact on rivers and ensure their long-term health. At the heart of this industry-leading initiative are five ambitious pledges as detailed below.

We have delivered strong results since then and our focus on making further improvements continues. This is supported by collaboration with all of our stakeholders, sustained investment and positive community engagement. We understand the importance of our environment and will continue to focus on rivers, seeking to innovate and invest in more sustainable solutions for a resilient future for rivers.

To find out more about how we are making a difference to rivers in our region, subscribe to our quarterly [Get River Positive newsletter](#) on our website.

River Ranger sampling



PLEDGE 1:
Ensure storm overflows and sewage treatment works do not harm rivers



PLEDGE 2:
Create more opportunities for everyone to enjoy our region's rivers



PLEDGE 3:
Support others to improve and care for rivers



PLEDGE 4:
Enhance our rivers and create new habitats so wildlife can thrive

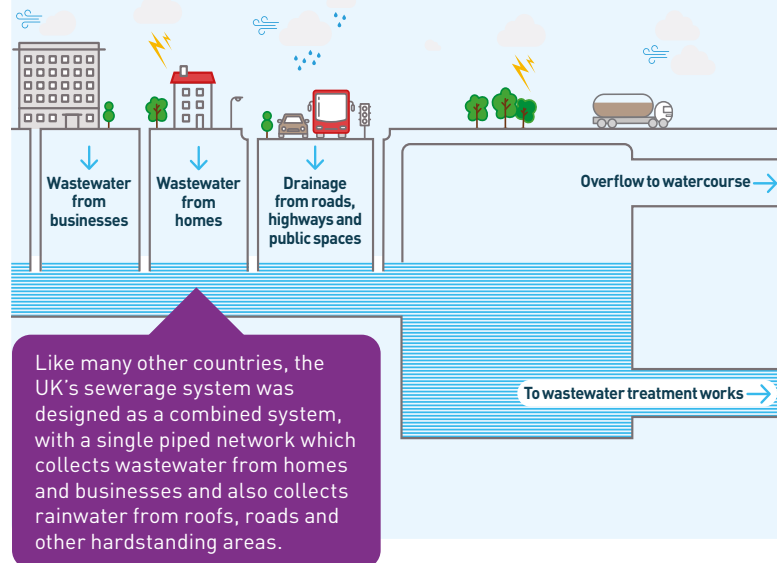


PLEDGE 5:
Be open and transparent about our performance and our plans

PLEDGE 1 Ensure storm overflows and sewage treatment works do not harm rivers.

River health across the UK is in decline, with only 14% of rivers achieving Good ecological status (in 2025) making Severn Trent's Get River Positive pledges more vital than ever. We have made significant strides in reducing its contribution to Reasons for Not Achieving Good Status (RNAGS), dropping from 14% in 2025 to 10.8%, and is on track to reach less than 2% by 2030. Despite challenges from climate change and extreme weather, Severn Trent has launched an industry-leading CSO Improvement Plan, delivering over 1,800 permanent enhancements to reduce storm overflow spills, with more than 2,100 expected by Autumn 2025. These efforts, supported by a dedicated team of 500, have already prevented thousands of spills and are projected to reduce average annual spills by over 25% in 2025, demonstrating a strong commitment to protecting river ecosystems and ensuring a sustainable future. We strive towards global best practice by 2030.

What are CSOs?



OPERATIONAL OPTIMISATION INNOVATION CENTRE

In 2025 we announced the creation of our Operational Optimisation Innovation Centre ('O2IC') at our Alfreton wastewater catchment.

This cutting-edge facility has been designed to mirror the success of our Resource Recovery and Innovation Centre ('R2IC') at Spenall, which has positioned us as global leaders in the measurement and management of greenhouse gas emissions in the water sector. The O2IC will act as our permanent test facility to combine

AI solutions, operational and engineering technologies within a single wastewater catchment.

This will create a unique opportunity to develop, monitor and refine AI-driven innovations in a structured environment. Examples include real time monitoring, predictive maintenance and optimisation of treatment processes. This initiative will also help us understand and address the people and process transformations needed for successful implementation. In addition, we rigorously test the functional safety and security of AI solutions to ensure safety and environmental risks are properly managed.

PLEDGE 2 Create more opportunities for everyone to enjoy our region's rivers

Our £78 million investment in the Bathing Rivers programme has introduced ozone technology to improve water quality in Shropshire and Warwickshire. Recreational opportunities have expanded, including open-water swimming and triathlon events at Carsington Reservoir. Partnerships with local clubs and the Clean Water Sports Alliance help shape future activities and ensure safe, vibrant waterway.



← Carsington Reservoir open water swimming event

PLEDGE 3 Support others to improve and care for rivers

Collaboration is essential to improving river health, with joint efforts across industries, communities, and environmental groups leading to greater impact. Through initiatives like the Community Fund and the Severn Trent Environmental Protection Scheme (STEPS), significant investments have supported restoration projects, biodiversity, and water quality improvements. Notable successes include the transformation of Bennerley Viaduct into a vibrant public space and widespread farmer engagement, with 89% believing environmental benefits will result from on-farm changes.

River Rangers in Leamington



← River Linney

PLEDGE 4 Enhance our rivers and create new habitats so wildlife can thrive

River Rangers play a key role in protecting river health through regular inspections, water-quality testing, and conservation efforts, with over 10,000 inspections completed since 2022. Their collaboration with environmental groups has supported a range of restoration projects, from log dams to fish and eel passes, aimed at improving river flow and habitats. Additionally, the Great Big Nature Boost scheme has enhanced biodiversity across more than 16,200 hectares—over twice the original target—demonstrating a strong commitment to environmental stewardship.

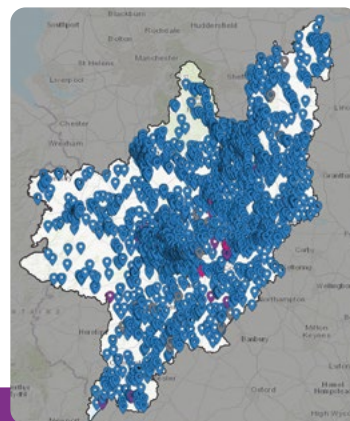
In partnership with citizen scientists and groups like the Severn Rivers Trust, Severn Trent is developing tools to help communities test and understand river water quality. With six testing methods trialled, a user-friendly tool is expected to be ready by September 2025. Additionally, a £2 billion investment over the next five years will further support river health improvements and reinforce the company's commitment to transparency and environmental stewardship.

PLEDGE 5 Be open and transparent about our performance and our plans

Severn Trent has strengthened its commitment to river health and transparency through expert collaboration and open data initiatives. New members joined the Get River Positive Independent Advisory Panel, bringing valuable insights from angling, clean water sports, and bathing water designation efforts. Their guidance has helped shape key developments, including the launch and enhancement of the Storm Overflow Map, which now provides near real-time data and investment details for each overflow site.

Severn Trent also played a leading role in launching the National Storm Overflow Hub, offering public access to nationwide water company data. Looking ahead, the company plans to publish an open data strategy and install 1,000 river water quality monitors by 2030. It is also increasing the frequency of Event Duration Monitor (EDM) data reporting from annual to quarterly, with a goal of monthly updates by year-end.

To further enhance transparency, we are committed to publishing EDM performance data in an accessible format on our website. While currently published annually, we will begin quarterly reporting and aim to move to monthly updates in the near future.



Zero Spills Hub

Inspired by our Net Zero Hub, which combines operational, engineering and AI solutions to achieve ambitious goals, we are excited to introduce our Zero Spills Hub to support our Get River Positive campaign. In the Arnold catchment in Nottinghamshire, we will be trialling innovative solutions in combination to deliver our WINEP commitments and demonstrate how to achieve zero spills in a catchment. Our trials will focus on AI based solutions that optimise the use of our existing assets, as well as physical, biological and nature-based solutions that remove stormwater from the network (and reuse it), apply localised treatment and create smart storage that can be used to flush the network.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE 2018

The Group’s long-term sustainable success is contingent on our commitment to exceptional corporate governance standards, and the Board continues to be guided in its approach through the application of the 2018 Code. We believe good corporate governance is about effective oversight, including how we instil confidence in our stakeholders, both in how we perform and in how report on that performance. With this in mind, we welcomed the proposed enhancements to the UK Corporate Governance Code announced by the Financial Reporting Council (‘FRC’) in January 2024 – against which we will report our compliance in our 2026 Annual Report – and the Board is updated regularly on the Company’s preparations to ensure the new requirements will be met.



OUR SUSTAINABILITY RELATED DISCLOSURES AND REPORTING

Our approach to climate change and nature

Set out on the following pages is our seventh disclosure under the requirements of the Taskforce on Climate-related Financial Disclosures ('TCFD'), and voluntarily incorporates detail using the recommendations of the Taskforce on Nature-related Financial Disclosures ('TNFD'). Combined, these disclosures provide transparent information on climate and nature risks and opportunities relevant to our Group, demonstrating how interlinked our governance, risk management processes and metrics are. We are dedicated to a proactive climate action to reduce our impact, and we foster a sustainability-led culture to protect the environment in all that we do.

We comply with all 11 TCFD recommendations, in accordance with Listing Rule 6.6.6R, and have reviewed all 14 TNFD recommendations. This means we consider the 'Recommendations of the Taskforce on Climate-related Financial Disclosures' published in June 2017, the supplementary guidance entitled 'Implementing the Recommendations of the TCFD' published in October 2021 and 'Recommendations of the Taskforce on Nature-related Financial Disclosures' published in September 2023. We also consider the wider guidance issued by the TNFD, and the work of the International Sustainability Standards Board ('ISSB').

Net Zero transition plan ('NZTP')

Our commitment to mitigating and adapting to climate change remains a critical priority. Our AMP8 Net Zero Plan emphasises our commitment to achieving net zero operational emissions by 2030, and our immediate priority is to reduce the most material emissions which are in our control. For further details see page 13.

Science Based Targets ('SBT')

We aim to deliver a stretching Green House Gas (GHG) emissions reduction of 220 ktCO₂e between 2025 and 2030, which will equate to a 43% reduction from our baseline towards our SBT Scope 1 and 2 reduction target. This builds on the significant progress we have already made on our carbon reduction journey, delivering a 25% reduction as we move into AMP8, against our SBT of 46% by 2031 (against our 2019/20 baseline). In 2024/25, our reported location-based Scope 1 and 2 total GHG emissions were 551 ktCO₂e compared to a 2019/20 baseline of 561 ktCO₂e.

We are setting a new ambition to meet net zero across Scopes 1, 2 and 3 by 2050, supported by a new intensity target to reduce our methane emissions by 30% by 2033. This is an important evolution in our net zero journey, which is aligned to a **1.5°C Paris-aligned pathway**. This builds on our existing targets to be operational net zero by 2030 and our SBT, approved in 2021.

EU Taxonomy

The EU Delegated Acts: As part of our activity assessment we review our economic activities based on the EU Taxonomy Regulation, which is made up of the 'Delegated Acts' and any additional guidance released to date, including:

The Climate Delegated Act (EU) 2021/2139 establishes the rules for deciding whether an economic activity qualifies as contributing substantially to one of the climate objectives:

- Climate change mitigation
- Climate change adaptation

It also determines whether the economic activity DNSH to any other environmental objectives.

The Disclosure Delegated Act (EU) 2021/2178 covers the content and format of any information that we are disclosing about environmentally sustainable economic activities. It also determines the methods we use to assess those activities.

The Environmental Delegated Act (EU) 2023/2486 determines whether any economic activity has a substantial impact on any of the following non-climate-related environmental objectives:

- Sustainable use of water and marine resources
- Transition to a circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems.

Our ESG Databook

Our ESG databook provides a comprehensive overview of Severn Trent Plc's Environmental, Social, and Governance ('ESG') data, metrics, and related information. We recommend reading this databook alongside our other year-end publications, including the Annual Report and Accounts. A summary of the information included in the databook is below:

CLICK [here to download the ESG Databook](#)

SECTION	TAB	SUMMARY
ST Plc.	Environmental	Environmental data, metrics and information
	Social	Social data, metrics and information
	Governance	Governance data, metrics and information
	Natural Capital Account	The natural capital account, covering the land owned by Severn Trent Water and Hafren Dyfrdwy
Frameworks	GRI	ESG-related policies, programmes and performance
	SASB	Disclosures aligned with the Sustainability Accounting Standards Board (SASB)
	EU Taxonomy	EU Taxonomy aligned and eligible activities
	TNFD	Data, metrics and information reported in alignment with the Taskforce for Nature-related Financial Disclosures ('TNFD')
Regulated entities	Tab	ESG data, metrics and information for Severn Trent Water ('STW')
	Tab	ESG data, metrics and information for Hafren Dyfrdwy ('HD')

SUSTAINABLE FINANCE FRAMEWORK

Severn Trent established its first Sustainable Finance Framework in 2019 and updated it in 2022, reinforcing our commitment to aligning financial strategy with environmental and social responsibility. The Framework supports the allocation of sustainable expenditure across both refinancing and new financing activities. This latest version replaces the previous framework published in 2022.

We have established this Sustainable Finance Framework (the “Framework”) under which Severn Trent Plc and its subsidiaries can raise debt to support the financing and/or refinancing of assets and expenditures of a sustainable nature across their activities.

Under this Framework, Severn Trent can issue ‘Sustainable Financing Instruments’ in the form of bonds (public and private placements), committed facilities (revolving and term debt from banks and institutional investors) and finance leases.

Such instruments will allocate spend to one of the following types of use of proceeds label:

- **Green:** Assets, capital projects, and selected operational expenditures that contribute to environmental sustainability and the protection of natural resources. These will be grouped into the Eligible Green Portfolio.
- **Blue:** Projects that support sustainable water management, marine and freshwater ecosystems, and climate resilience related to water infrastructure. These will be included within the Eligible Green Portfolio, with specific tracking for Blue Bond proceeds.
- **Nature:** Initiatives that protect, restore, or enhance biodiversity and natural capital, including nature-based solutions. These will also be included within the Eligible Green Portfolio, with specific tracking for Nature Bond proceeds.
- **Social:** Assets, capital projects, and selected operational expenditures that deliver positive social outcomes for communities and society. These will be grouped into the Eligible Social Portfolio.
- **Sustainable:** Assets, capital projects, and selected operational expenditures that contribute to environmental or social objectives. These will be pooled from the Eligible Green Portfolio and Eligible Social Portfolio, respectively, to form the Eligible Sustainable Portfolio.

The instruments to be issued under this Framework will align with the following Principles and Guidelines:

- **Green:** ICMA's Green Bond Principles (GBP)¹ or LMA's Green Loan Principles (GLP)².
- **Blue:** GBP/GLP and the IFC Guidelines for Blue Finance Version 2.0³ and ICMA's Bonds to Finance the Sustainable Blue Economy⁷.
- **Nature:** GBP/GLP and ICMA's Sustainable Bonds for Nature: A Practitioner's Guide⁴.
- **Social:** ICMA's Social Bond Principles (SBP) or LMA's Social Loan Principles (SLP)⁵.
- **Sustainability:** GBP/SBP and ICMA's Sustainability Bond Guidelines (SBG)⁶.

In alignment with these voluntary Principles and Guidelines, this Framework is structured around the following components:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

Severn Trent acknowledges the development of the European Green Bond Standards ('EuGBS') and recognises its role in promoting transparency and credibility in sustainable finance across European markets.

At this time, the EuGBS will be considered complementary but separate from our existing Framework. However, recognising Severn Trent's voluntary reporting against the EU Taxonomy, Green financing instruments issued under this Framework will align to the EU Taxonomy regulation on a best-efforts basis.

CLICK on a link below for further information:

1

Green Bond Principles
» ICMA

2

Green Loan Principles
» LMA

3

Guidelines for Blue Finance
» IFC

4

Sustainable Bonds for Nature
» ICMA

5

Social Bond Principles
» ICMA

6

Sustainability Bond Guidelines
» ICMA

7

Bonds to Finance the Sustainable Blue Economy
» ICMA



USE OF PROCEEDS



Severn Trent will allocate an amount equivalent to the net proceeds from any Sustainable Financing Instruments issued under this Framework—including Green Bonds, Social Bonds, Sustainability Bonds, Blue Bonds, and Nature Bonds—to finance and/or refinance eligible assets and expenditures across Severn Trent and its subsidiaries.

Under this Framework:

- The Eligible Sustainable Portfolio comprises both the Eligible Social and Eligible Green Portfolios, including Blue and Nature investments.
- Net proceeds from Sustainable Financing Instruments will be allocated to finance or refinance in the Eligible Sustainable Portfolio.
- For existing assets and expenditures, Severn Trent may (re)finance investments completed or incurred within a three-year period prior to, or up to two years following, the date of issuance.

Severn Trent aims to allocate the net proceeds within two years of issuing each Sustainable Financing Instrument. The updated mapping process for eligible investments is detailed in the accompanying mapping table.

Investments must fall within the Sustainable Eligible Categories. All capital enhancement expenditure,

whether improving quality, service levels, or accommodating growth is eligible and will be allocated to Sustainable Water and Wastewater Management if no other category applies as this is expected to align with sustainability eligibility criteria.

Given Severn Trent's limited proximity to marine and coastal areas, the IFC's guidance on Blue Finance provides a more comprehensive and applicable framework for our blue bond strategy. IFC expands the scope beyond coastal ecosystems to include inland freshwater systems, water supply infrastructure, and wastewater management — all of which are core to our operations as a water utility.

While ICMA's Pollution Prevention and Control category under its "Bonds to Finance the Sustainable Blue Economy" offers relevant alignment, it is more limited in scope. Therefore, our primary alignment will be with IFC's Blue Finance guidance, supplemented by ICMA's framework where applicable.

Each eligible project will be mapped to Sustainable Development Goal (SDG) 6 (Clean Water and Sanitation) and, where relevant, SDG 14 (Life Below Water), ensuring a robust and credible sustainability narrative.

Exclusions: Financing costs, legal fees, and any potential fines are excluded from eligible expenditures.

The following table summarises the categories of Eligible Projects, along with examples of the types of projects that fall within each category.

Eligible Green Category	Eligibility Criteria	Indicative EU Taxonomy Environmental Objective Mapping
ICMA Category Sustainable Water Management Activities Covered Water Supply Some projects within this category may qualify for green and blue financing UN Sustainable Development Goals    	Construction, extension, operation, and renewal of water collection, treatment and supply systems intended for human consumption based on the abstraction of natural resources of water from surface or ground water sources. Activities may include, but are not limited to, investment and expenditure to ensure a sustainable water cycle by: • Reducing the amount of water used by customers and reducing losses (leakage) from the system • Mitigating the adverse impact of abstraction • Improving water quality • Enhancing the resilience of the water network. Examples of eligible projects include: • Water efficiency programmes • Customer smart metering • Abstraction management and creation of new supplies, such as projects to provide alternative sources of water at Carsington, North Notts and Shelton and Draycote Reservoir • Water infrastructure to enhance resilience, improve water quality and reduce losses from the system • Strengthening infrastructure for increased population demand. To qualify as Blue under the IFC Blue guidelines, projects must also meet the following criteria: • Water extraction activities that are conducted based on a comprehensive assessment of freshwater availability and that ensure a balance between discharge and recharge, thereby preventing overextraction of water • New, expansion, rehabilitation, or retrofitting of sustainable water supply infrastructure that would allow at least a 10% increase in the efficiency of the water supply system, thereby significantly reducing the volume of water abstracted to satisfy a defined demand • Development, replacement, and/or rehabilitation of water conveyance and distribution systems that document at least a 10 percent reduction in physical losses compared to a documented baseline. • Water efficiency technologies, equipment and water management activities that document at least a 10 percent reduction per unit of service from a documented baseline to reduce water footprint.	Sustainable Use and Protection of Water and Marine Resources 2.1: Water supply 3.1: Nature-based solutions for flood and drought risk prevention. Climate Change Mitigation 5.1: Construction, extension and operation of water collection, treatment and supply systems 5.2: Renewal of water collection, treatment and supply systems.

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Eligible Green Category	Eligibility Criteria	Indicative EU Taxonomy Environmental Objective Mapping
ICMA Category Pollution Prevention and Control Activities Covered Wastewater Collection and Treatment Some projects within this category may qualify for Green and Blue financing UN Sustainable Development Goals  	Construction, extension, upgrade, operation and renewal of urban wastewater infrastructure. This can include treatment plants, sewer networks, storm water management structures, water storage, connections to the wastewater infrastructure, decentralised wastewater treatment facilities, including individual and other appropriate systems, and discharge structures for treated effluent. Activities may include, but are not limited to, investments to reduce pollutions from the wastewater network by: - Reducing pollution and returning treated water safely back to our rivers - Enhancing the resilience of the waste water network. Examples of eligible projects include: - Projects which maintain, enhance and upgrade wastewater infrastructure to reduce pollution and mitigate sewer flooding - Expanding sewage treatment capacity and processes to reduce pollution incidents, enhance treatment efficiency, and prevent environmental harm from stormwater and wastewater overflow - Projects in sewage treatment facilities that protect or enhance river ecosystems. Construction, extension, operation, and renewal of sustainable urban drainage systems facilities that mitigate pollution and flood hazards due to discharges of urban runoff and improve the urban water quality and quantity, by harnessing natural processes, such as infiltration and retention. Activities may include, but are not limited to, investments that: - Reduce sewage overflows and spills through reducing surface water runoff into the sewerage network. Examples of eligible projects include: - Investments that ensure storm overflows and sewage treatment works do no harm to rivers - Investments in sustainable urban drainage systems - Investments in water quality monitors. To qualify as Blue under the IFC Blue guidelines, projects must also meet the following criteria: - Wastewater treatment plants and wastewater collection systems, including municipal, industrial, agri-business, commercial, and/or residential - Wastewater reuse projects that demonstrate reduction of water abstraction or contamination of water bodies - Drainage systems, flood management systems, and other adaptation and resilience infrastructure that prevent plastics, chemicals, or pollutants from reaching water runoff in areas close to a water body.	Sustainable Use and Protection of Water and Marine Resources 2.2: Urban waste water treatment 2.3: Sustainable urban drainage systems (SUDS) 3.1: Nature-based solutions for flood and drought risk prevention. Climate Change Mitigation 5.3: Construction, extension and operation of waste water collection and treatment 5.4: Renewal of waste water collection and treatment.

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Eligible Green Category	Eligibility Criteria	Indicative EU Taxonomy Environmental Objective Mapping
ICMA Category Pollution Prevention and Control continued	To qualify as Blue under the ICMA SBE guidelines, projects must also meet the following criteria: - Wastewater Management Projects – must be located within catchment areas of rivers that ultimately discharge into the ocean, ensuring that improvements contribute to the health of marine and coastal ecosystems - Solid Waste Management Projects – for solid waste management, projects must be within 50 km of the coast or a river that drains to the ocean - Non-Point Source Pollution Management Projects – for non-point source pollution management, projects must be within 200 km of the coast or within 50 km of rivers (and their tributaries) that flow to the ocean.	
ICMA Category Climate Change Adaptation Some projects within this category may qualify for Green and Nature themed financing UN Sustainable Development Goals   	Construction, renewal and operation of climate adapted centralised wastewater systems including collection (sewer network) and treatment, and water collection, treatment and supply systems. Activities may include, but are not limited to, Investments that mitigate flood risk, improve drought resilience and reduce the risks associated with extreme weather, as outlined in our climate Long-Term Delivery Strategy (LTDS). Examples of eligible projects include: - Projects to protect our water supply – such as the new pipeline between Carsington and Tittesworth reservoirs and the Grand Union Canal abstraction and treatment project - Projects that proactively maintain and improve our water network to reduce the need for reactive repairs - Projects that improve the resilience of our assets by protecting our sites against the impact of severe weather, such as power failures or extreme flooding. To qualify as Nature the primary focus of the projects will be nature-related, examples of eligible projects include: - Projects that address climate adaptation and improve the resilience of biodiversity and ecosystems - Projects in nature-based solutions for resilient infrastructure.	Climate Change Adaptation 5.1: Construction, extension and operation of water collection, treatment and supply systems 5.2: Renewal of water collection, treatment and supply systems 5.3: Construction, extension and operation of wastewater collection and treatment 5.4: Renewal of wastewater collection and treatment. Sustainable Use and Protection of Water and Marine Resources 2.1: Water supply 2.2: Urban waste water treatment .

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Eligible Green Category	Eligibility Criteria	Indicative EU Taxonomy Environmental Objective Mapping
ICMA Categories Environmentally Sustainable Management of Living Natural Resources and land use and Terrestrial and aquatic Biodiversity Conservation Some projects within this category may qualify for Green and either Nature-themed and/or Blue financing UN Sustainable Development Goals   	Planning, construction, extension, and operation of large-scale nature-based flood or drought management and, transitional or inland aquatic ecosystem restoration measures contributing to preventing and protecting against flooding or droughts, and enhancing natural water retention, biodiversity and water quality. Activities may include, but are not limited to, investments in: • Nature-based solutions and catchment management schemes • Water retention projects • Sustainable Urban Drainage Systems (SUDS) that contribute to Biodiversity benefits. Examples of eligible projects include: • Catchment management schemes working directly with farmers to reduce discharges from agriculture, at the same time as boosting farm biodiversity • Implementing our biodiversity action plans that deliver a biodiversity net gain • Developing our land to sequester carbon from the atmosphere through natural capital solutions. To qualify as Nature the primary focus of the projects will be nature-related, examples of eligible projects include: • Projects in conserving and restoring ecosystems and the biodiversity they support • Sustainable forestry and agribusiness land management and production practices. Conservation, including restoration, of habitats, ecosystems and species where: • The activity maintains or re-establishes or restores ecosystems, species, or habitats • The activity maintains or restores woodland, grassland, scrub, and reed habitats to enhance biodiversity and ecosystem health • The activity protects or enhances Severn Trent owned Sites of Special Scientific Interest (SSSI). Examples of eligible projects include: • Schemes to manage and maintain over 16,200 ha's of improved biodiversity • Management plans that enable the protection and enhancement of SSSI • Schemes that provide habitat enhancement and support species recovery. To qualify as Blue under the IFC Blue guidelines, projects must also meet the following criteria: • Conservation, improvement, and restoration of freshwater, marine, and coastal ecosystems • Conservation, improvement, and restoration of natural hydrological and sediment flows.	Sustainable Use and Protection of Water and Marine Resources 3.1: Nature-based solutions for flood and drought risk prevention. Protection and Restoration of Biodiversity and Ecosystems 1.1: Conservation, including restoration, of habitats, ecosystems and species contribution to biodiversity. Climate Change Mitigation 1.1: Afforestation 5.1: Construction, extension and operation of water collection, treatment and supply systems.

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Eligible Green Category	Eligibility Criteria	Indicative EU Taxonomy Environmental Objective Mapping
ICMA Categories Renewable Energy UN Sustainable Development Goals  	Construction and operation of renewable energy facilities to increase generation from: • Wind • Solar PV • Hydropower. Construction and operation of facilities for the treatment of sewage sludge by anaerobic digestion with the resulting production and utilisation of biogas or chemicals, where: • Monitoring and contingency plans are in place to minimise methane leakage at the facility; and • The produced biogas is used directly for the generation of electricity or heat or upgraded to bio-methane for injection in the natural gas grid, or used as vehicle fuel or as feedstock in chemical industry.	Climate Change Mitigation 4.1: Electricity generation using solar photovoltaic technology 4.3: Electricity generation from wind power 4.5: Electricity generation from hydropower 5.6: Anaerobic digestion of sewage sludge.
ICMA Categories Clean Transportation UN Sustainable Development Goals 	Acquisition and deployment of zero and low-emission vehicles used in our water and wastewater operations, powered by renewable or low-carbon energy sources, contributing to our triple carbon pledge. Activities may include, but are not limited to, investments in: • Replacing our vehicle fleet (diesel and petrol) with zero tailpipe emissions vehicles • Electric vehicle charging infrastructure projects • Low carbon or zero emission alternatives for HGVs and tankers (such as HVO or Hydrogen equivalents).	Climate Change Mitigation 5.1: Construction, extension and operation of water collection, treatment and supply systems.
ICMA Categories Energy Efficiency UN Sustainable Development Goals 	Construction, extension, operation, and renewal of water collection, treatment and supply systems intended for human consumption, with a focus on optimising energy use and reducing emissions through efficient abstraction of natural resources of water from surface or ground water sources. Activities may include, but are not limited to, investment and expenditure that: • Improve energy efficiency of processes • Reduce scope 1,2, and 3 emissions. Examples of eligible projects include: • Efficiency programmes in energy use and pump/air blowers replacement programme • Projects that contribute towards our triple carbon pledge and our science-based target commitments.	Climate Change Mitigation 5.1: Construction, extension and operation of water collection, treatment and supply systems 5.2: Renewal of water collection, treatment and supply systems 5.3: Construction, extension and operation of waste water collection and treatment 5.4: Renewal of wastewater collection and treatment.

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Eligible Green Category	Eligibility Criteria	Indicative EU Taxonomy Environmental Objective Mapping
ICMA Categories Affordable Infrastructure UN Sustainable Development Goals 	Investments and/or expenditures relating to programs which enable vulnerable customers to maintain access to water and other supplies. These include: - Supporting up to 700,000 vulnerable customers through our schemes including the Big Difference Scheme, BDS+ and Our Through Care Scheme - Supporting up to 100,000 people in, or at risk of, water poverty by 2030 - Affordability schemes to support customers.	Social objective Support the reduction of social and economic inequalities by improving access to essential services and providing financial support for underserved, vulnerable, and low-income customers. Target population: Customers who are signed up to one of the following: - Priority Services Register - Big Difference Scheme - WaterSure Scheme.
ICMA Categories Socioeconomic Advancement and Empowerment UN Sustainable Development Goals 	Investments and/or expenditures to support the socioeconomic advancement and empowerment of people within the Severn Trent region. These include: Our Academy: Initiatives that provide access to vocational, technical, or skills-based training aimed at improving employability for underserved or unemployed individuals Community Fund Projects: Locally focused programmes that address social or economic challenges, promote inclusion, and support vulnerable populations Employability Schemes: Structured programmes designed to help individuals gain employment through job readiness support, career coaching, apprenticeships, or placement services.	Social objective Support inclusive growth in our region through job creation, access to employment, and education. Target population: Communities served by Severn Trent, including underserved, unemployed, and economically vulnerable individuals, with a focus on supporting more people into sustainable employment and improving access to skills and training.

PROCESS FOR PROJECT EVALUATION AND SELECTION

All investments in assets and expenditures carried out by Severn Trent must follow the Group's strict capital governance process.

Investment governance and framework oversight

Investment in assets by Severn Trent is proposed through business cases that outline the associated costs and benefits. These business cases are reviewed and approved by various governance boards as they progress through their lifecycle.

All investment proposals are initially reviewed by the relevant sub-service Portfolio Boards to ensure strategic alignment within specific delivery areas - namely Networks, Treatment (across Water and Waste), and Bioresources. These boards are responsible for approving both deliverables and funding for new and existing capital projects and programmes. They also oversee any changes to funding or deliverables for projects already in progress.

Decisions are based on submitted business cases, which are developed during concept, optioneering, and detailed design stages. We assess investment proposals against multiple criteria, including affordability, environmental and social impact, and alignment with the strategic objectives of Severn Trent's business plan.

The Sustainable Finance Committee (the "Committee") will formally assess assets and expenditures for eligibility and inclusion in the Eligible Sustainable Portfolio. The Committee includes representatives from our Treasury, Finance, the Environmental and Sustainability teams.

The Committee plays a vital role in overseeing the integrity and effectiveness of sustainability-related financial reporting. It ensures that all disclosures concerning environmental, social, and governance (ESG) performance are accurate, transparent, and aligned with both internal sustainability goals and external regulatory standards. The Committee reviews the methodologies used to assess sustainability impacts and ensures that material risks and opportunities are properly reflected in financial and non-financial reports. In addition to this, the Committee is responsible for reviewing all sustainable finance reporting, including the allocation of proceeds, the measurement of impacts, and updates to the underlying frameworks that guide sustainable investment decisions.

Meeting once every quarter, the Committee evaluates the asset and expenditure categories proposed for inclusion in sustainable finance instruments. This includes confirming their alignment with the Social Eligible Categories and Green Eligible Categories, ensuring that investments meet the criteria for delivering positive environmental and social outcomes.

Selection criteria

Projects must:

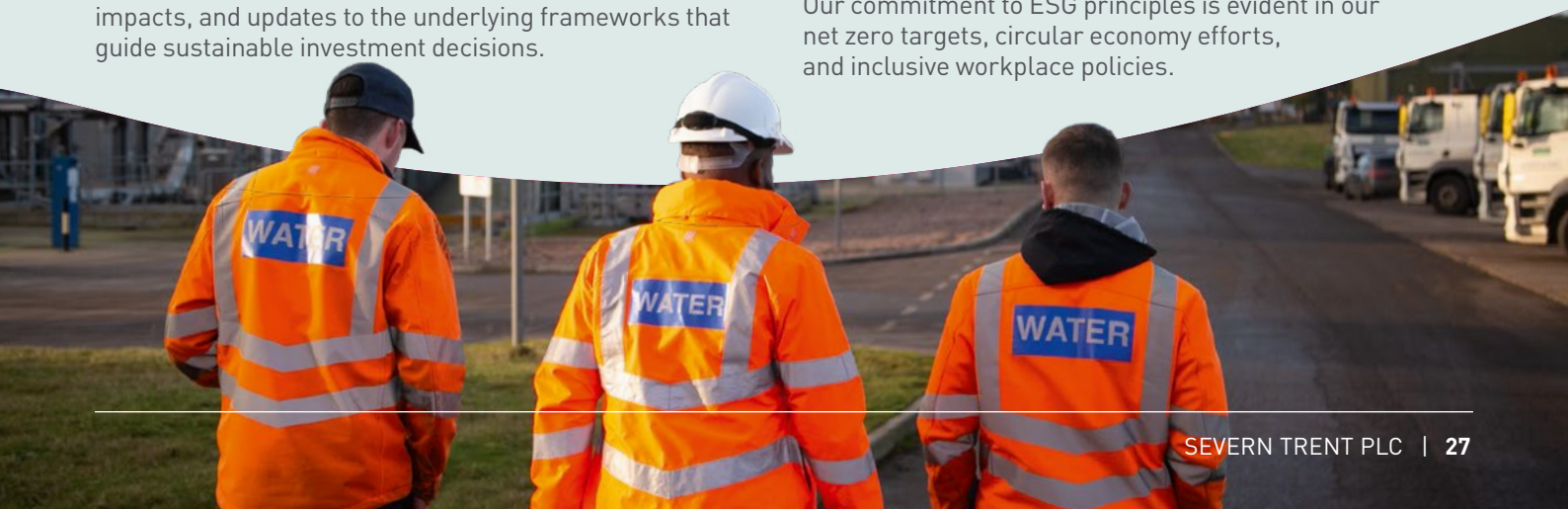
- Align with the eligibility criteria of one or more of the eligible project categories outlined in the Use of Proceeds section.
- Demonstrate measurable environmental and/or social benefits.
- Comply with Severn Trent's environmental, social, and governance (ESG) policies.

Identification and management of environmental and social risks

Severn Trent adopts a structured and proactive approach to identifying and managing social and environmental risks in its projects. This begins with strategic planning and horizon scanning, which helps the company anticipate future challenges and align its operations with long-term sustainability goals. Their planning framework includes clear priorities and delivery mechanisms that ensure environmental and social considerations are embedded in decision-making.

Stakeholder engagement plays a central role in our process. We regularly consult with customers and community groups to understand their concerns and expectations, particularly around affordability, environmental impact, and service quality. These insights directly influence project design and investment choices, ensuring that the company remains responsive to social needs.

Environmental risk management is addressed through initiatives such as climate adaptation, sustainable water resource planning, and pollution control. Severn Trent invests in infrastructure and nature-based solutions to mitigate flooding and improve water quality, while also supporting biodiversity and reducing carbon emissions. Our commitment to ESG principles is evident in our net zero targets, circular economy efforts, and inclusive workplace policies.





Emerging risks

Our environment is constantly evolving, and we remain committed to identifying and responding to emerging risks that could impact our operations and communities. As part of our horizon scanning activity, the company continuously monitors new and developing threats, such as antimicrobial resistance (AMR), which poses long-term challenges to public health and water quality. This proactive approach enables the business to stay ahead of potential issues by integrating scientific research, cross-sector learnings, and regulatory developments into our risk management strategies.

A recent example of this is Severn Trent's response to PFAS (per- and polyfluoroalkyl substances), a group of persistent chemicals increasingly found in the environment. The company has disclosed its efforts to understand PFAS origins, their relevance to the water cycle, and the implications for its operations. By identifying, monitoring, and developing strategies to remove PFAS, we demonstrate our commitment to safeguarding water quality and public health. These actions reflect a broader strategy of anticipating future risks and positioning the business to respond effectively, ensuring resilience and sustainability in the face of environmental change.

Minimum safeguards

At Severn Trent, we believe that delivering environmental sustainability goes hand-in-hand with doing the right thing for people and society. In line with the EU Taxonomy Regulation, we're committed to meeting the Minimum Safeguards set out in Article 18—ensuring our operations respect human rights, uphold fair labour practices, and maintain strong standards around anti-corruption, fair taxation, and competition. These safeguards reflect our broader commitment to responsible business, and help ensure that our sustainability efforts create lasting, positive impact for the communities we serve.

Do No Significant Harm

The definition of 'significant harm' used in our analysis is set by the EU Taxonomy under the Do No Significant Harm principle and utilises the equivalent UK legislation such as that issued by the EA. We take this action planning very seriously and have embedded objectives across our organisation as a result.

Doing the Right Thing

Our code of conduct, Doing the Right Thing, alongside our Anti-slavery and Human Trafficking Statement and supporting Group policies, are reviewed regularly and signed off by the Board. The combined policies ensure that we hold ourselves accountable, respecting the rights of our workforce, the people in our supply chain, and those impacted by our operations. We actively avoid human rights infringements and address any impacts when they do occur. We expect our supply chain partners to protect the rights of Indigenous people (where relevant) and local communities.

Human rights and modern slavery

We are committed to protecting the human rights of all our employees and contractors, as outlined in our Code of Conduct, Doing the Right Thing. We have a responsibility to understand our potential impact on human rights and to mitigate potentially negative impacts. We have a range of Group policies on Human Resources, Anti-Bribery and Anti-Fraud, Whistleblowing ('Speak Up') and Procurement, as well as a Modern Slavery Escalation and Remediation Policy and a separate Anti-Slavery and Human Trafficking Statement. Our comprehensive policies ensure that we take a robust approach to protecting human rights.

[CLICK](#) here to view our Anti-Slavery and Human Trafficking Statement

MANAGEMENT OF PROCEEDS

Our Treasury team will manage the net proceeds from any issuance under Severn Trent Sustainable Finance Framework and allocate them to finance or refinance in eligible projects. The proceeds will be managed on a portfolio basis. These projects will align with the ICMA Green Bond Principles (including Blue and Nature-related expenditure), Social Bond Principles, Sustainability Bond Guidelines, and the Green Loan Principles.

We intend for the value of the Eligible Sustainable Portfolio to be equal to or exceed the total amount of financing raised under this Framework. The balance of proceeds will be periodically adjusted to reflect allocations to Eligible Green and Social Projects financed or refinanced during the relevant period. If any project becomes ineligible, we commit to replacing it with a suitable alternative on a best-effort basis and as promptly as practical.

Where proceeds cannot be immediately allocated, we will manage them in accordance with our Treasury Policy, including being held in cash or deposits. Our target is to allocate proceeds within two year of issuance. As part of our standard business and regulatory reporting processes, we closely monitor all assets and expenditures. The net proceeds from sustainable financing will be tracked using internal reporting systems. Our Financial Reporting team will record all expenses against eligible projects, ensuring that each expenditure item is accurately tracked and that no double counting occurs. We will present an analysis of allocations to the Sustainable Finance Committee at least annually and upon request.

We will leverage existing processes across our capital and operational investment programmes, aligning them directly to the eligible categories on a one-to-one basis. This approach avoids the need for complex cost allocation methodologies. However, we acknowledge that this may not be feasible for all elements of our investment programme. Therefore, we are exploring options for both principle-based and proportional allocations on a case-by-case basis.

Through this mapping, we aim to embed eligibility into our business planning, budgeting, and reporting processes - automating the identification of qualifying investments and expenditures. This will enable alignment of business plan lines and cost centres with the ICMA categories defined in the Framework. Where necessary, we will develop proportional allocation rules to ensure accurate cost attribution.



REPORTING

We commit to reporting annually until full allocation, with the first report published within one year of the financing being raised under the Framework.

We will provide investors with information regarding the assets and expenditures financed and/or refinanced under the Framework, the amounts of proceeds allocated, and the estimated impact of these investments, either in a combined report or a series of reports. Any material developments, such as modifications to the Framework or the allocation portfolio, will be detailed in the next reporting period.

Reporting will be available through our [website](#).

Allocation reporting

Allocation Reports will be made available to investors within one year of the date the financing was raised under the Framework. These reports will detail:

- The amount of financing allocated, including the breakdown by sub-portfolio (Social or Green), and by category;
- A brief description of the assets and expenditures financed or refinanced with the proceeds, along with selected case studies where applicable;
- The balance of unallocated proceeds and the nature of any temporary investments; and
- The division of allocation between new financing and refinancing.

Subsequent allocation details will be released annually and as necessary following any material developments.

Impact reporting

We are committed to providing transparent and meaningful reporting on the environmental and social impacts of projects financed through Severn Trent Sustainable Finance Framework. We will include impact reporting as part of our annual Allocation and Impact Report, offering investors a consolidated view of both financial allocations and the associated sustainability outcomes.

In addition, we publish broader company impact reporting through our existing sustainability disclosures, including our Annual Report and Accounts (ARA) and Annual Performance Report (APR). This ensures consistency with our wider corporate reporting obligations and reinforces our commitment to accountability.

We will report on a range of key performance indicators and outcome-based metrics that reflect the benefits delivered by the Eligible Sustainable Portfolio. These may include, but are not limited to, reductions in greenhouse gas emissions, improvements in water quality, biodiversity enhancements, increased climate resilience, and social outcomes such as improved affordability and access to essential services. Where relevant, we will also provide information on the methodologies, assumptions, and data sources used to assess and quantify these impacts, supporting transparency and comparability for investors and stakeholders.



Severn Trent intends to align, on a best-effort basis, with the reporting recommendations outlined in ICMA's **Handbook – Harmonized Framework for Impact Reporting (June 2024)**. Impact reporting will be provided at the Eligible Project Category level, using relevant impact indicators that reflect the environmental and social benefits of the investments. Below is a list of suggested indicators we may consider using:

Green Categories

Sustainable Water Management

- Leakage reduction (Ml/day, 3-year average)
- Per capital consumption reduction (litres/person/day, 3-year average)
- Number of meters installed
- Water supply interruptions
- Water quality compliance (CRI)
- Water treatment works compliance (%)
- Water abstraction mechanism reduction (M/l)

Pollution Prevention and Control

- Treatment works compliance (%)
- Pollution incidents per 10,000 km of wastewater network
- River Pledges
- Average number of spills per storm overflow asset
- Internal sewer flooding – number per 10,000 sewer connections
- External sewer flooding – number per 10,000 sewer connections

Climate Change Adaptation

- Peatland restoration (ha)
- Area of land restored/remediated/rehabilitated (ha and natural habitats etc) in m³
- Number of water efficiency visits

Terrestrial and Aquatic Biodiversity and Environmentally Sustainable Management of Living Natural Resources and Land Use

- New biodiversity delivered (ha)
- Area with features promoting biodiversity
- Area of land restored/remediated/rehabilitated (ha)
- Net change in biodiversity (ha)
- Number of successful farming for water catchment schemes
- Number of trees planted
- Pollution load reduction per catchment (kg)

Clean Transportation

- Number of electric vehicles in use
- Number of charging points installed

Renewable energy

- Electricity generated from renewable sources
- Biogas generated and combusted on site

Energy Efficiency

- Energy savings in MWh/GWh
- GHG emissions reduced/avoided in tonnes of CO₂

Social Categories

Affordable Infrastructure

- Vulnerable customers supported through Severn Trent's schemes (%)
- Number of customers supported out of or protected from water poverty

Socioeconomic Advancement and Empowerment

- Number of hours of employability training
- Number of projects funded through our community fund.

Where appropriate, Severn Trent will provide additional context to its impact reporting by including details on the methodologies and data sources used to assess project outcomes. To enhance transparency, we may also present qualitative insights and illustrative case studies that highlight the environmental and social benefits of selected funded projects. These supplementary materials will support the quantitative indicators and help demonstrate the real-world impact of our sustainable investments.



EXTERNAL REVIEW

Pre-Issuance External Review: Second Party Opinion (SPO)

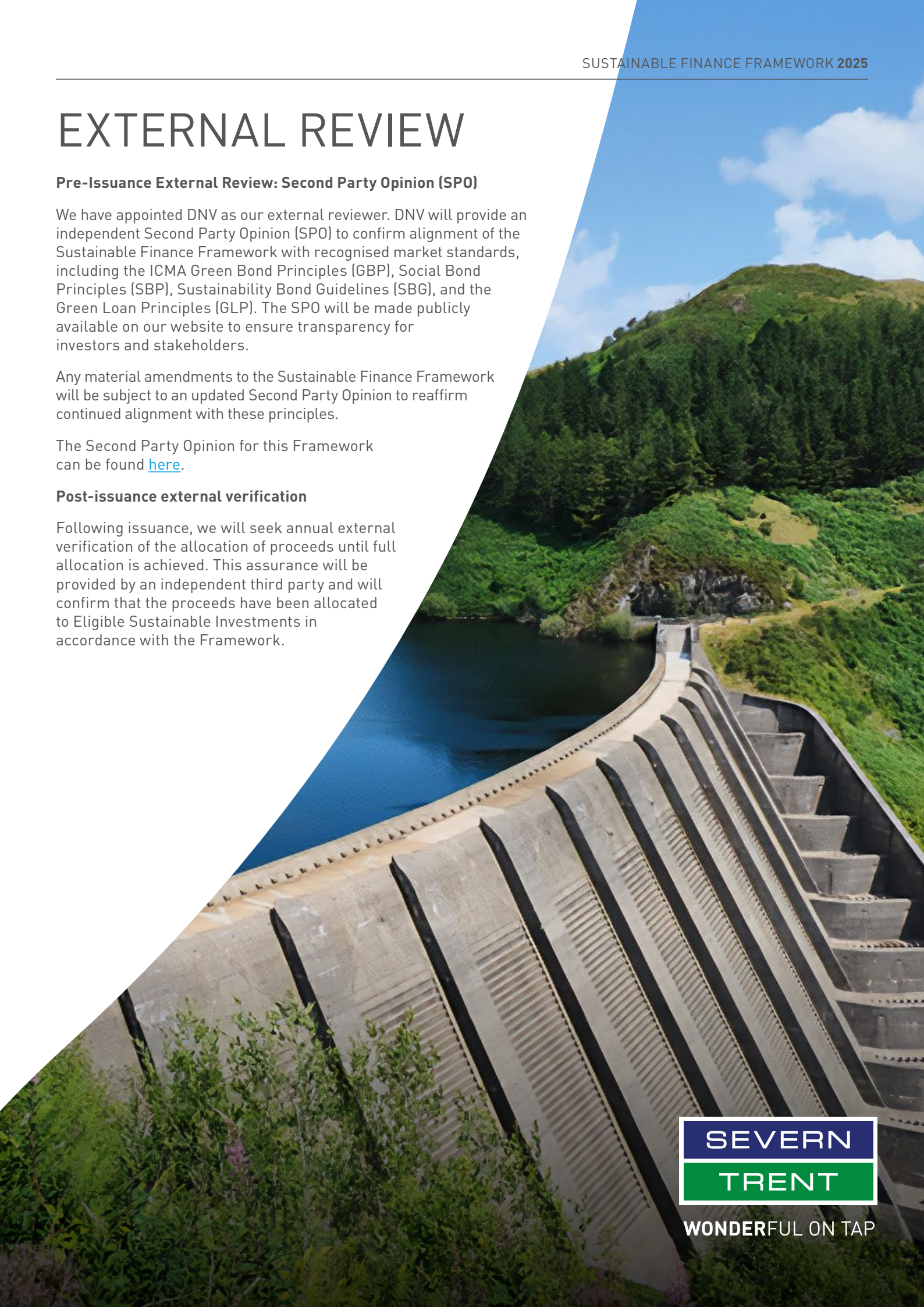
We have appointed DNV as our external reviewer. DNV will provide an independent Second Party Opinion (SPO) to confirm alignment of the Sustainable Finance Framework with recognised market standards, including the ICMA Green Bond Principles (GBP), Social Bond Principles (SBP), Sustainability Bond Guidelines (SBG), and the Green Loan Principles (GLP). The SPO will be made publicly available on our website to ensure transparency for investors and stakeholders.

Any material amendments to the Sustainable Finance Framework will be subject to an updated Second Party Opinion to reaffirm continued alignment with these principles.

The Second Party Opinion for this Framework can be found [here](#).

Post-issuance external verification

Following issuance, we will seek annual external verification of the allocation of proceeds until full allocation is achieved. This assurance will be provided by an independent third party and will confirm that the proceeds have been allocated to Eligible Sustainable Investments in accordance with the Framework.



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